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CPA as personal financial planner: a guide to understanding and using CPA services

American Institute of Certified Public Accountants. Communications Division; CPA Communications Council

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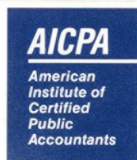
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What information will the CPA need?

You should do some homework. Be ready to provide:

- Complete family data.
- Copies of federal and state tax returns from the previous three years.
- Copies of wills, trust agreements, divorce settlements, and buy-sell agreements.
- Lists of assets, including savings and checking accounts, stocks, bonds, 401(k) plans, etc.
- Data on real estate owned.
- Records of personal debts, loans, mortgages, etc.
- Copies of employment contracts, including retirement benefits, profit sharing and life/disability insurance plans.
- Copies of insurance policies, including life, auto and homeowners.
- Data on personal property of value.

When you need sound financial advice, consult a CPA. Together, you can map a course for a more secure and profitable financial future.



Communications Division

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A GUIDE TO UNDERSTANDING AND USING CPA SERVICES

The CPA as Personal Financial Planner

Most people know they can turn to a certified public accountant (CPA) to complete their tax forms, to audit their businesses if they need bank loans, or to explain the tax implications of trusts and estates. In addition, as personal financial planners, CPAs can help you make an investment in your future.

Personal financial planning is important to individuals at all income levels. Faced with complicated and ever-changing tax laws, rising and falling inflation rates and an explosion of investment opportunities, many individuals are finding that the expertise of a CPA can help them make the most of their money.

CPAs can guide you through the maze of investment opportunities—certificates of deposit, mutual funds, bonds, real estate and many others. They can forecast the tax consequences of each kind of investment, working to help you meet your personal financial goals. Even if you have a small nest egg, a CPA can help you preserve it and make it grow, despite taxes and inflation.

Many forces at work in the American economy affect your savings, working capital and investments. Without financial planning, you could miss opportunities to make your money grow—or see your investment income slashed by unnecessary taxes.

Your CPA can help you answer the three basic questions you'll need to answer to begin the personal financial planning process.

- Where do you stand now?
- Where do you want to go?
- How are you going to get there?

How can CPAs help?

CPAs will analyze your total financial and tax position and help you identify financial objectives. They can take into account all of the components of your financial picture with a goal of targeting ways to help you make your assets, savings and investments grow at a rate that outpaces inflation.

CPAs may help you improve your financial decisions by explaining financial and investment strategies. They can provide an objective review of the investment recommendations of other advisers and counsel you about the risk, liquidity, tax and management characteristics

of the investments. They can also advise you about the use of credit, dollar-cost averaging, diversification, employee benefit plans and other financial management strategies.

By professionally assessing your financial goals, assets, liabilities and income, CPAs can help you plan for your retirement. They can:

- Suggest levels of contributions to Individual Retirement Accounts (IRAs) and Keogh plans.
- Evaluate your pension plan and project benefits at likely retirement ages.
- Show you how your employee benefit plan might be the biggest source of your retirement income.
- Evaluate the adequacy of your life insurance in meeting your personal goals for your family.
- Determine the future income needs of your family with inflation-adjusted projections.

CPAs are qualified to help you design your estate plan. They can outline the options available in apportioning the wealth you've accumulated over your lifetime. With careful planning, your CPA can help you choose the most advantageous alternatives.

Do I need personal financial planning?

Personal financial planning is as important to individuals with modest incomes as it is to wealthy individuals who may have complicated tax situations. Just a few of the many possibilities that signal the need for financial planning are:

- You want to plan for your children's education.
- You are concerned about your retirement income.
- You are anticipating an inheritance.
- You own a business.
- Your credit card debt is excessive.
- Your family income is dependent on one wage earner.
- You have property in more than one state.

CPAs can help you determine the amount of money you will need to pay for one or more specific financial goals, create an estate or maintain your desired lifestyle. They are on top of changes in the tax laws and can work with you to maximize your net worth, while providing for contingencies.